

The attached document – Citrus College Foundation Investment and Spending Policy – is a scanned document and is not an accessible, ADA compliant document.

Please contact Christina M. Garcia, Foundation director, via email at [cmgarcia@citruscollege.edu](mailto:cmgarcia@citruscollege.edu) or by phone at (626) 914-8825 for an accessible/compliant version.

# Citrus College Foundation

## THE CITRUS COLLEGE FOUNDATION INVESTMENT AND SPENDING POLICY

The Citrus College Foundation, established in 1966 and revitalized in 1982, is a nonprofit organization dedicated to finding supplemental funding sources for Citrus College. The purpose of the Foundation is three-fold. First, to solicit and raise money to award scholarships to students enrolled at Citrus College. Second, to afford and encourage opportunities for the establishment of research and educational projects for the benefit of Citrus College. And third, to engage in cooperative efforts with the college to enhance the academic and vocational programs offered at Citrus College and the services offered to the students and communities members the college serves.

### **I. STATEMENT OF PURPOSE**

The Finance Committee, acting with authorization from the Board of Directors of the Foundation, shall review and make recommendations to the Board for investment of Foundation funds at least quarterly.

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire Citrus College Foundation

This statement of investment policy is set forth by the Finance Committee of the Citrus College Foundation in order to:

- 1.1 Define and assign the responsibilities of all involved parties.
- 1.2 Establish a clear understanding for all involved parties of the investment goals and objectives of operating funds assets.
- 1.3 Offer guidance and limitations to all Investment Managers regarding the investment of Operating Funds assets.
- 1.4 Establish a basis for evaluating investment results.
- 1.5 Manage Operating Funds assets according to prudent standards as established in common trust law.
- 1.6 Establish the relevant investment horizon for which the Operating Funds assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets towards the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

### **II. ADMINISTRATIVE POLICY**

2.1 The intention of the donor shall be a prime concern of the Foundation. No agreement shall be made between the Foundation and any agency, person, company or organization on any matter, whether investments, management, or otherwise, without consideration of the donor's interests or expressed wishes.

2.2 Prospective donors shall be advised to seek legal counsel in any and all aspects of their proposed giving, whether by bequest, trust, agreement contract or otherwise.

2.3 Foundation directors and the Foundation's authorized personnel shall exercise great caution and avoid the use of pressure sales techniques when dealing with prospective donors.

2.4 All information concerning donors and the amount of their gifts shall be kept strictly confidential by the Foundation and its authorized personnel, unless permission is obtained from the donor to release such information. This does not preclude normal donor recognition or efforts to solicit donors.

2.5 Funds may be placed in banks or savings and loan organizations. Investments may also be in stocks, bonds, mutual funds, Government Treasury Bills (both long & short term), and bank or brokerage money market funds.

2.6 All financial records shall be kept in the Office of the Citrus College Foundation which resides in the Administration Building, Room AD131, 1000 W. Foothill Blvd., Glendora, California 91741.

2.7 The Foundation's books shall be audited annually by an independent auditor, normally in conjunction with the Citrus Community College District's annual audit.

2.8 Undesignated gifts of \$10,000 to \$100,000 made to the Foundation shall be dedicated 50% to general endowment and 50% to general undesignated. Gifts over \$100,000 will be referred to the Executive Board to determine what formula will be used.

2.9 The Foundation shall not make personal loans except to students related to further educational purposes and specifically approved. Loans to the Citrus College District may be made for capital improvements and non-recurring activities.

### **III. DELEGATION OF AUTHORITY**

The Finance Committee of the Citrus College Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include but are not limited to:

3.1 *Investment Management Consultant* – The consultant may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

3.2 *Investment Manager* – The investment manager has discretion to purchase, sell or hold the specific securities that will be used to meet the Endowment Fund investment objectives.

3.3 *Custodian* – The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities of the Endowment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Endowment Funds accounts.

3.4 Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Endowment Funds assets prudently.

The Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager would request modifications which they deem appropriate.

Such experts employed are also deemed to be fiduciaries; they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Operating Funds as deemed appropriate.

### **IV. DEFINITIONS**

4.1 "Finance Committee" shall refer to the governing entity to administer the fund.

4.2 "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management and administration of the Foundation assets.

4.3 "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Foundation's assets.

4.4 "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

4.5 "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.

4.6 "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.

## **V. ENDOWMENT AND ENDOWED SCHOLARSHIP FUNDS**

By definition, these are funds for which the donors have stipulated as a condition of the gift that the principal is to be maintained inviolate and in perpetuity, for the purpose of producing present and future income to support the purpose(s) stipulated in the gift. The Foundation's policy will be to invest the endowed principal in assets which balance safety of principal, growth of principal and generation of income.

5.1 The investment parameters include investing the funds for long-term growth and income, while preserving principal with minimal risk.

5.2 The Foundation will delegate investment management authority to selected money manager(s) and organizations who will report on the investment performance of the funds.

5.3 Investment avenues will be recommended by the Finance Committee and approved by the Foundation's Executive Board and subsequently ratified by the Full Board of Directors of the Citrus College Foundation.

## **VI. ASSIGNMENT OF RESPONSIBILITY**

### **6.1 Responsibility of Investment Manager(s)**

Each Investment Manager must acknowledge in writing his/her acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under his/her jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in the statement. Specific responsibilities of the Investment Manager(s) include:

- (A) Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- (B) Reporting to the Finance Committee on a quarterly basis. Consultant will also report to the full Board of Directors of the Citrus College Foundation once a year, which will coincide with one of the quarterly reviews with the Finance Committee. Each report by the Consultant is to include a concise description of how actual portfolio performance compares to the investment goal stated in section IX hereof.
- (C) Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process, or the investment objective progress of the Foundation's portfolio investment management.
- (D) Advising the Finance Committee of any changes relative to their investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- (E) Providing voting proxies, if requested by the Finance Committee, on behalf of the Foundation and communicating such voting records to the Finance Committee on a timely basis.

### **6.2 Responsibility of the Investment Consultant(s)**

The Investment Consultant's role is that of an advisor to the Finance Committee of the Citrus College Foundation. Investment advice concerning the investment management of the Foundation's portfolio assets will be offered by the Investment Consultant and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- (A) Assisting in the development and periodic review of the investment policy.
- (B) Conducting investment manager searches when requested by the Finance Committee.
- (C) Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives.
- (D) Communicating matters of policy, manager research, and manager performance to the Finance Committee.
- (E) Reviewing the Foundation's portfolio investment history, historical capital markets performance, and reviewing the investment policy statement with any newly appointed members to the Finance Committee.

## **VII. GENERAL INVESTMENT PRINCIPLES**

7.1 Investments shall be made solely in the interest of the Citrus College Foundation.

7.2 The portfolio of Funds shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing, that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

7.3 Investment of the portfolio of funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

7.4 The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the stated objectives.

7.5 Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

## **VIII. INVESTMENT MANAGEMENT POLICY**

8.1 *Preservation of Capital* – Consistent with their respective investment styles and philosophies investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

8.2 *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the investment managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

8.3 *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

## **IX. SPECIFIC INVESTMENT GOALS**

Over the investment horizon established in this statement, it is the goal of the aggregate Operating Funds assets to accomplish the following on an annual basis:

Track the total performance of the blended averages of the market indexes that closely represent the asset allocation of the assets being managed.

The investment goal above is the objective of the aggregate of the Foundation portfolio of funds, and is not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be compared to appropriate benchmarks:

- Appropriate benchmarks shall be included as new asset classes are added to the asset allocation of the investment portfolio.

## **X. DEFINITION OF RISK**

The Finance Committee realizes that there are many ways to define risk, and recognizes that any person or organization involved in the process of managing the Foundation's assets must understand how it defines risk so that the assets are managed in a manner consistent with the Foundation's portfolio objectives and investment strategy as outlined in this statement of investment policy. The Finance Committee defines risk as:

The probability of not meeting the stated investment objective.

## **XI. LIQUIDITY**

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance Committee will periodically provide investment counsel with an estimate of expected net cash flow. The Finance Committee will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Finance Committee requires that a minimum of 3% of Operating Funds assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

## **XII. MARKETABILITY OF ASSETS**

The Investment Committee requires that Operating Funds assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Operating Funds, with minimal impact of market price.

## **XIII. INVESTMENT GUIDELINES**

### 13.1 Allowable Assets

1. Cash Equivalents
  - \* Treasury Bills
  - \* Money Market Funds
  - \* Commercial Paper
  - \* Banker's Acceptances
  - \* Repurchase Agreements
  - \* Certificates of Deposit
2. Fixed Income Securities
  - \* U.S. Government and Agency Securities
  - \* Corporate Notes and Bonds
  - \* Mortgage Backed Bonds
  - \* Preferred Stock
  - \* Fixed Income Securities of Foreign Governments and Corporations
  - \* Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs
  - \* Bonds of Non-U.S. Companies
  - \* Bonds of Foreign Government Securities
  - \* High Yield
3. Equity Securities
  - \* Common Stocks
  - \* Convertible Notes and Bonds
  - \* Convertible Preferred Stocks
  - \* American Depository Receipts (ADRs) of Non-U.S. Companies (Exception: emerging growth)
  - \* Stocks of Non-U.S. Companies (Ordinary Shares)
  - \* REITS
  - \* Index Funds that trade in the open market
4. Mutual Funds
  - \* Mutual Funds which invest in securities as allowed in this statement
  - \* Short selling may be utilized only when used in conjunction with a managed strategy that includes multiple transactions where the short selling is used to hedge a position within that strategy. It is not to be used as a basic technique of investing on it's own as in "going short a particular position to participate in the success of the investment while the stock declines".
5. Other Assets
  - \* GICs - Guaranteed Insurance Contracts

### 13.2 Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange; American Stock Exchange; and NASDAQ over-the-counter market. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Finance Committee.

### 13.3 Prohibited Assets

Prohibited investments include:

1. Commodities and Future Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
7. Derivative Securities
8. Securities of emerging nations

### 13.4 Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short selling as an asset class. Please see 13.1 (4)
2. Margin Transactions

### 13.5 Social Responsibility

Although the Finance Committee makes no industry or company specific prohibitions, the Citrus College Foundation prefers to avoid investing in alcohol and tobacco related securities or industries.

### 13.6 Asset Allocation Guidelines

Only the assets placed under professional management by the Citrus College Foundation shall be in accordance with the following asset allocation guidelines:

1. Aggregate Operating Funds Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	30%	70%
Fixed Income	30%	70%
Cash and Equivalents	3%	40%

2. The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Foundation Funds, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Finance committee regarding specific objectives and guidelines.
3. In the Event that the above aggregate asset allocation guidelines are violated for reasons including but not limited to market price fluctuations, the Finance Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation of its specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instructions from the Finance Committee.

### 13.7 Diversification for Investment Managers

Individual treasury securities may represent 10% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Foundation's portfolio aggregate bond position.

### 13.8 Donations of concentrated positions

Should the Foundation receive a concentrated position of a security, it must be hedged or sold to mitigate any additional risk associated with a concentrated position in the Foundation portfolio. The options should be reviewed by the Investment Advisor and presented to the Finance Committee.

## XIV. CATEGORIES OF FOUNDATION ASSETS

In accordance with Generally Accepted Accounting Principles (GAAP), net assets (the difference between assets and liabilities) of a not-for-profit organization must be apportioned into three (3) classifications: (1) Unrestricted; (2) Temporarily Restricted; or (3) Permanently Restricted. Both temporarily and permanently restricted net assets are based on the restrictions made by the donor(s) at the time of their contribution. Only donors may impose restrictions on gifts, though, unrestricted gifts may be designated for a particular purpose or time restriction by the organization's board. For accounting purposes, however, these funds would remain unrestricted.

- **Unrestricted:** In the absence of restrictions placed on the use of the funds by the donor, these contributions may be used by the Foundation in any way that meets the mission, articles of incorporation, bylaws, etc., of the Foundation.
- **Temporarily Restricted:** Use of these gifts is limited by either a donor-imposed time restriction or a donor-imposed purpose restriction. Investment income is considered temporarily restricted and may be spent in accordance with the donor's wishes.
- **Permanently Restricted:** These are net assets that a donor has instructed the Foundation to maintain in perpetuity. Also known as "Endowments", the donor contributes assets to an organization with instructions that the corpus (the original amount donated) is never to be spent, but the income generated by the endowment fund may be used in accordance with the donor's stipulations. The income earned is considered as temporarily restricted until the restriction is released.

It shall be the responsibility of the Foundation staff to place all new funds into one or more of the designated categories. The staff shall prepare a schedule of projected sub-fund liquidation dates quarterly. The Finance Committee shall review the schedule and make transfers between funds as necessary to bring the categories into conformity with the schedule.

## XV. SPENDING POLICY

For all permanently restricted accounts held by the Citrus College Foundation (the "Foundation"), the Foundation will allow an annual spending limit of no more than five percent (5%) of the trailing twelve quarters' average of the account balance/unit value. The Foundation's Finance Committee will review the spending rate annually on March 31 and, if any change is deemed prudent, will submit such change to the Foundation's Board of Directors in time for approval at the Foundation's June quarterly meeting. Any such spending limit change will be effective July 1 of that fiscal year.

If a signatory to a permanently restricted account desires spending in excess of the approved annual spending rate, a written request with specificity and detail shall be submitted by the Foundation at the signatory's earliest convenience. Thereafter, such written requests will be considered by the Foundation's Board of Directors in a timely fashion and a written response by the Foundation issued after ruling is made.

The date of March 31 of each year will be used in determining the unit value for the twelve quarter average calculation as referenced in paragraph 1 (above). The Foundation further reserves the right to assess an annual administrative fee on July 1 of each fiscal year, which fee shall be in addition to the annual spending limit set forth above.

This basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), under which guidelines the Foundation is permitted to allow an expenditure of amounts in excess of the current yield (interest and dividends earned), including either realized or unrealized appreciation.

## XVI. SELECTION OF INVESTMENT MANAGERS

The Finance Committee's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Finance Committee requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Citrus College Foundation.

## XVII. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Finance Committee. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this policy. The



Finance Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

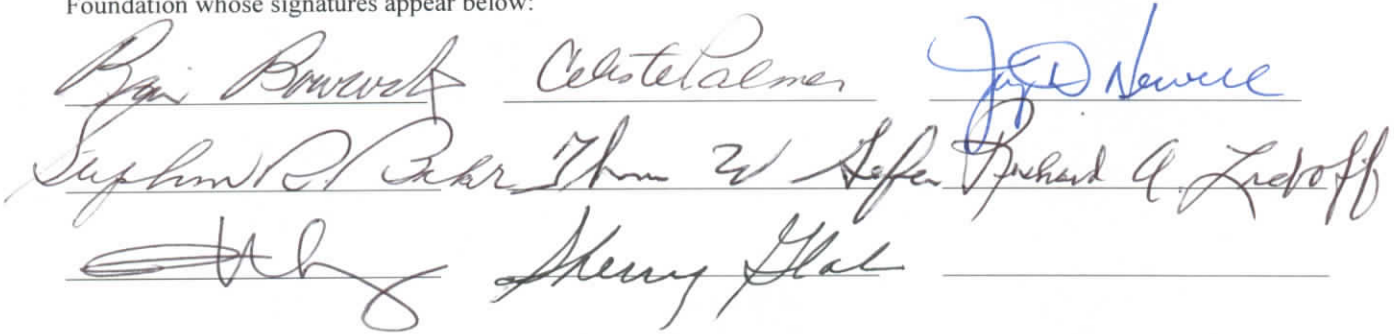
1. Investment performance which is significantly less than anticipated given the discipline employed and risk parameters established or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

### **XVIII. INVESTMENT POLICY REVIEW**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee shall review the investment policy at least annually.

This document supersedes all previous versions of the Citrus College Foundation's Investment Policy. This statement of investment policy is adopted on June 22, 2015, by the Finance & Investment Committee of the Citrus College Foundation whose signatures appear below:

The image shows seven handwritten signatures in blue ink, each written over a horizontal line. The signatures are: Brian Bowcock, Celeste Palmer, J. D. Newell, Stephen R. Baker, John W. Soper, Richard A. Zedoff, and Henry Glaz.